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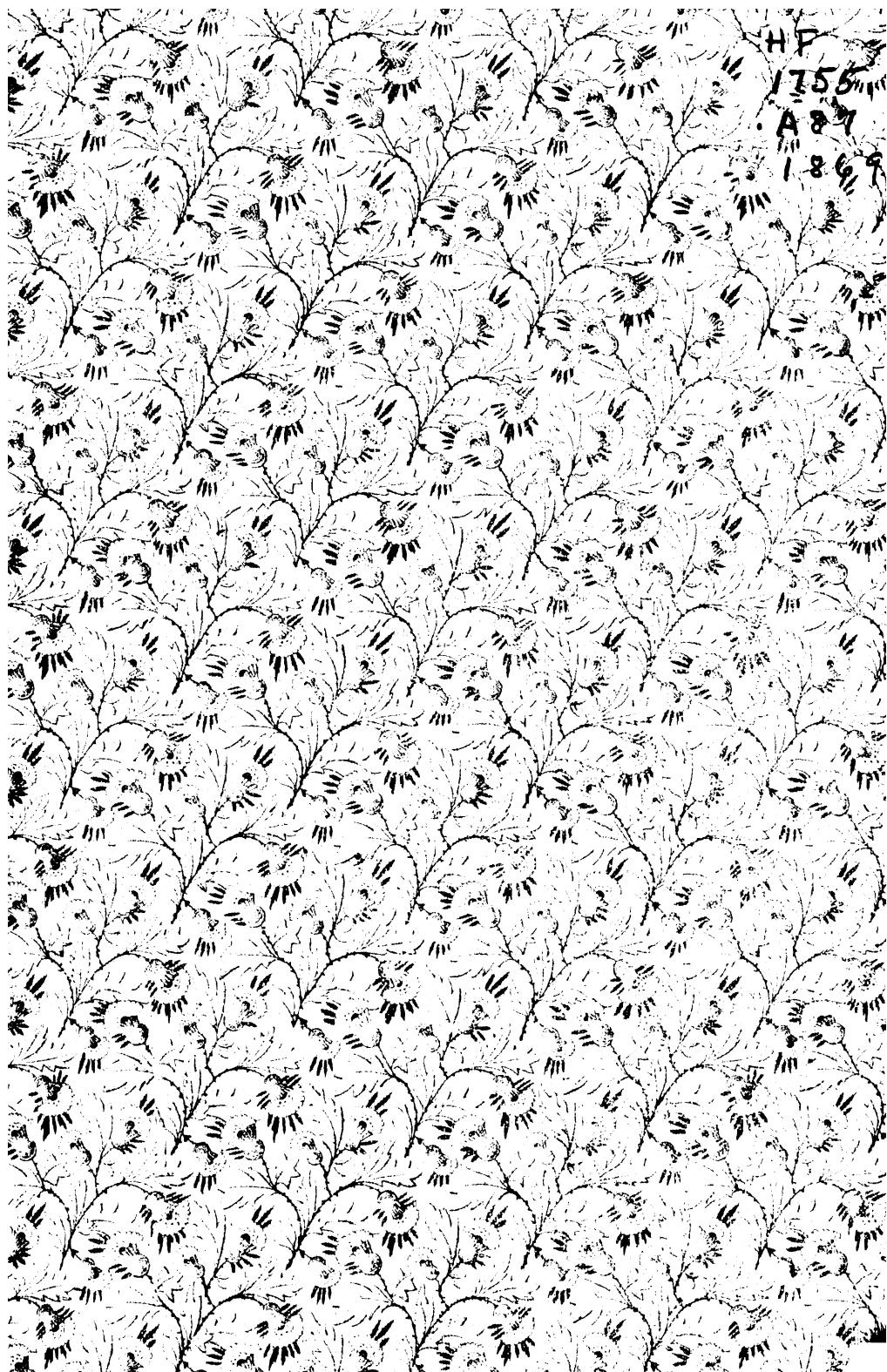
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ON THE

COLLECTION OF REVENUE.

BY EDWARD ATKINSON.

(REVISED EDITION.)



NEW YORK:

PUBLISHED BY THE AMERICAN FREE TRADE LEAGUE,

69 WILLIAM STREET.

1869. m1

Sept. 22 92

Every person contributing \$2.00, or over, to the League, is a Member for a year, and will receive all its publications. All remittances and payments to be made to C. H. MARSHALL, Treasurer, 38 Burling Slip, New-York.

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 All remittances and payments to be made to
 C. H. MARSHALL, Treasurer,
 38 Burling Slip, New York.

FREE-TRADE.—This is the plain duty, and plain interest of the human race. Freedom of the seas: freedom of harbors; an intercourse of nations, free as the winds; this is not a dream of philanthropists. We are tending towards it, and let us hasten it.—*Channing.*

ALAS! we have tried everything—when shall we make the trial of the simplest thing of all—Liberty? Liberty in all that does not offend against justice—liberty to live, advance, improve—the free exercise of our faculties—the free interchange of services.—*Bastiat.*

It were to be wished that commerce were as free between all the nations of the World as it is between the several Counties of England, so would ALL by mutual communication, obtain more enjoyments.—*Benjamin Franklin.*

ALL legislation which restricts the means of living is hurtful to the moral life of nations.—*Bastiat.*

WHY should we fetter Commerce? If a man is in chains, he droops and bows to the earth, for his spirits are broken, but let him twist the fetters from his legs, and he will stand erect. Fetter not Commerce, sir—let her be as free as air—she will range the whole creation, and return on the wings of the four winds of heaven, to bless the land with plenty.—*Patrick Henry.*

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PREFACE.

THIS Pamphlet is an abridgement of Mr. EDWARD ATKINSON's admirable *Essay on the Collection of the Revenue*, and has been revised by him.

The foot-notes have all been added by the Editor of the present publication, and Mr. ATKINSON is not responsible for the views which they express.

April, 1869.

PREFACE TO THE ORIGINAL EDITION.

THE following Essay was originally written for the purpose of testing the results of my own thought and experience by the formulas of the free-trade economists, and was afterwards read at a meeting of the Economic Section of the American Social Science Association, held in Boston in January. Some extracts, then published, having caused considerable remark, as emanating from a New England cotton manufacturer, I have thought that the publication of the whole might do a service in bringing public sentiment to what I consider just views on a momentous question, and might perhaps cause an abatement of the prejudice existing in some quarters against New England manufacturers, in consequence of views in which they are erroneously supposed to be unanimous.

There is nothing new in the Essay; but it is often useful to apply well-known principles to passing events, and present circumstances in a form that will bring them to the observation of those who are too busy to read elaborate treatises.

E. A.

BOSTON, April, 1867.

Revised 3-7-29 M.V.P.

ON THE COLLECTION OF THE REVENUE.

It is very evident that the questions which are soon to become of paramount interest among the people of the United States, will be those of Revenue reform; and it will become necessary for the people to decide whether the taxes shall be assessed according to the policy of those who are called Protectionists, or of those who are called Free Traders.

Our country has such boundless resources—as yet but partially developed—as to have made it easy, in the years before the war, for any one possessed of ordinary intelligence and industry to get a good living under any system of revenue laws; and mistakes in such laws, injuring but few seriously, have not compelled the attention of the whole people to the methods requisite for their correction. A little irritation, rather than any real check to prosperity, has caused the enactment, first, of a free trade, and then of a protective policy, creating fluctuations and temporary embarrassment, but never forcing the great mass of the people to give close attention to the matter. Under the pressure of our present debt, and the existing system of taxation, it is to be feared that the time has come when the people will be forced to learn wisdom by the hard teachings of adversity.

In the collection of revenue, the Government simply takes a portion of the annual product of the country for its own use—that is to say, secures to itself a portion of the result of each man's labor or effort. The method adopted is to impose a tax, either under the name of "internal revenue" or of "tariff," upon the commodities consumed by the people. Hence arises the axiom, that "the consumer pays all taxes,"—an axiom very likely to mislead, unless qualified by the statement that consumption depends upon production. If each person worked for himself alone, raising his own food,

making his own clothing, and never exchanging the result of his labor or effort for that of another, he could only be reached by the tax-gatherer by being required to give up a portion of his product. It is production alone which yields revenue either to the Government, or to the capital by which production is aided and rendered greater; and it is by the increase of production only, that we can bear the burden which the consumption or destruction of the war has imposed upon us.

To allege that the consumer pays all taxes leads to an utter absurdity, unless qualified by the statement, that the consumption of one commodity, not produced by the consumer is only rendered possible by such consumer producing or aiding in the production of some other commodity which he can give in exchange for it; and it matters not to him whether his proportion of the taxes is levied upon the article which he consumes,—let us say upon his tea,—or upon the article which he produces,—say upon his wheat. In either case, he simply gives to the Government a certain portion of the result of his labor,—he either pays a higher price for his tea or he has less money from his wheat wherewith to purchase tea; but, if he had not produced at all, or had not by the use of his capital aided or caused some one else to produce, he would have had neither tea nor wheat, and could therefore have paid no tax.

The problem therefore is so to levy the taxes as not to impede production. It will be maintained hereafter, that capital can only be taxed through its income, without causing great disaster, and that the income of capital is a certain share of the product of labor. If this proposition can be maintained, then the tax levied by Governments upon the income of capital is ultimately a tax upon production, or the result of labor.

In this connection it becomes interesting to know who are the capitalists and who are the laborers, though I do not mean here to intimate that there is any natural antagonism between the two. On the contrary, there is no finer example of the real harmony of interest in the universe than the law so well enounced by Bastiat: "In proportion to the increase of capital, the absolute share of the total product falling to the capitalist is augmented, and his relative share is diminished; while,

on the contrary, the laborer's share is increased both absolutely and relatively."

If there is any natural antagonism between capital and labor, then a man must often be his own antagonist; for many men,—I may say most men—are both laborers and capitalists. The common laborer who own his tools is to that extent a capitalist as much as the mill-owner running 20,000 spindles. He who works the spade with his hands is no more a laborer than he who directs the spindles with his head. Each is working for the general good, although his own aim may be selfish; for one is adding to the abundance of the food which we eat, and the other of the clothes we wear.

It is only when the Government interferes with natural laws, and, discarding the only legitimate object to be considered in the imposition of taxes, undertakes, under the name of revenue laws, to give a bounty to certain interests, that antagonism between labor and capital begins, and this antagonism is more properly between a class and the mass of the people than between labor and capital.

I have said it becomes interesting to know who are the laborers and who are the capitalists in the common use of those terms, and we may approximate to this by considering the number of persons in the United States who pay a tax upon an income of over six hundred dollars per annum,—upon which point I have obtained the following statement from Washington :

TREASURY DEPARTMENT,
OFFICE OF INTERNAL REVENUE,
Washington, February 7, 1867.

SIR: In reply to your letter of the 31st ult., requesting a statement of "the total number of persons paying an income tax, and the amount of income represented," I have to say that the total collections returned on income for the first six months of the current fiscal year amount, at present, to \$47,413,075.99. Full returns from a few districts, for those months, have not yet been received. Of this amount the sum of \$20,678,035.10 was returned on income over \$600, and not over \$5,000 per annum, \$24,972,677.83 on income over \$5,000, on excess over \$5,000, and \$1,762,363.06 on income from dividends, and addition to surplus funds of Banks, Railroad Companies, etc.

The amount of income represented by the above tax is \$698-534,741. The total number of persons assessed for income on the annual list for 1866, as returned by the Assessors of 221 Collection Districts, is 458,157. A few unimportant districts are yet to be heard from.

The receipts from income for the current fiscal year will, probably, not exceed \$50,600,000; and full returns from all Collection Districts will, doubtless, show that it was paid by no more than 465,000 persons.

Very respectfully,

THOMAS HARLAND,

Deputy Commissioner.

Mr. EDWARD ATKINSON, Boston, Mass.

It thus appears, that, out of thirty-six million people, less than half a million have a surplus above six hundred dollars a year. It follows, that the great majority spend all they earn; and, if their cost of living is raised by heavy taxes, their wages or earnings must be raised also.

I shall here be met by the question, Is not a rise in the wages of labor a benefit to the laborer? And I answer, Certainly not, if such rise is in consequence of the increased cost of living, and not the result of increased ability to produce on the part of the laborer. This question would not be asked if the function of money, in which wages are paid, was more clearly understood. If money is the end for which we labor, then any policy which will cause the rate of wages to be high is to be advocated as the best: but, if money is simply an instrument, by which we measure the result of one man's labor, when we compare it with the result of the labor of another, or a commodity in which we store up in a convenient form a portion of the result of our efforts, in order that we may at some future time command the equivalent service or labor of another, then it is not the amount of money or wages, but the service which those wages, or that money, will command, which is the end for which we work; and we may readily find that low wages are better for the laborer than high wages,—that they may yield him more immediate comfort, and a larger surplus to take the form of capital.

In some occupations it has been the custom for employers to adopt, as the standard of weekly wages, the cost of a barrel of flour. What matters it to the laborer whether the value of a barrel of flour be expressed at eighteen dollars in paper, or thirteen dollars in specie, either of which sums would represent a high rate of weekly wages, if the barrel of flour, or the eighteen dollars, or the thirteen dollars will each procure for him equal amount of shelter and subsistence?

Flour has lately been eighteen dollars per barrel, and the rate of wages of such laborers eighteen dollars per week. Let us suppose flour reduced to eight dollars per barrel, and all other commodities in the same proportion, but that the wages of the laborer are ten dollars per week; can he not then save two dollars per week at the low rate, where he could save nothing at the high rate? Has not the lower rate a higher value to him?

I believe this is precisely the difference existing between the position of the skilled artisan of England and that of the skilled artisan in this country at the present time. In England the rate of wages is nominally much lower, but a suit of strong fustian clothing can be purchased for one pound or five dollars. Beer costs three half-pence a glass, or three cents. Meat is not higher than in this country, and house rent is less; and, notwithstanding our great natural advantages, skilled laborers are said to be rapidly returning to their homes in Europe.

What we want is an abundance of the things which money will buy, not abundance of what is called money.

Is the dry goods dealer rich, when he has no cloth upon his shelves, even though he have a hundred yard-sticks?

Is the grain dealer rich, when his lofts are empty, even though he have a hundred bushel-baskets?

Is the grocer rich, when he has no sugar or salt, but only a counter covered with pound weights?

Is the shipwrecked mariner rich, if flung upon a barren rock with a bag of gold, but no food or water?

Are the United States rich, when they are ceasing to produce as many yards of cloth, as many bushels of grain, as many commodities as they formerly did, in proportion to their

population, because they have 900,000,000 paper dollars wherewith to measure the value of the decreasing cloth, and grain and commodities?

To return from this digression. It has been proved that there are not more than 465,000 people who pay an income tax; let us admit that 135,000 avoid payment who are liable, and we have 600,000 heads of families; multiply by 5, and we have 3,000,000 people out of 36,000,000, who have a surplus, or who may be called capitalists in the ordinary use of the word. It would be interesting to know how many of the lobby-members, so called, who have been or may hereafter be in Washington to influence legislation upon the Tax and Tariff Bills, will represent the 3,000,000 who are capitalists, and how many the 33,000,000 who are not.

Yet the latter are the producers, to a far greater extent than the former, and therefore are the tax-payers to a far greater extent. Again I must state that I imply no natural antagonism between laborer and capitalist; it is the law of God that all interests are harmonious; it is only our ignorance which produces antagonism. Neither do I impute to all the lobby-members purely selfish motives, or a desire to secure their own ends at the cost of the general interest. I only wish to point out, that there is a great preponderating mass of industrious laborers for whom no lobby-members will appear, who may not now be able to influence legislation, and who may now be unenlightened, but upon whose comfort and prosperity unjust laws may press heavily, and whose instinct, if not whose reason, will cause them to sweep from power the men who, even by mistake, shall oppress them with special laws, by which there shall be added to the oppression of the taxes a system of bounties to special interests yet more oppressive than the taxes themselves.

It has been said that no great abuses were ever reformed by the voluntary acts of legislators: all great reforms have been accomplished, either by the pressure of public opinion or by the revolutionary acts of the people; and most, if not all, of these reforms, have consisted simply in removing the impediments which law-makers have placed in the way of the natural development of the people.

We may be sure, that, on whatever platform the members of any Congress may have been elected, they will enact such laws as the opinions of their constituents shall demand. It is given to but few men to become leaders and to mould opinions : the average intelligence of the people dictates the policy of those who govern, or are said to govern ; and upon the enlightenment of the people depends, with rare exceptions, the wisdom of the legislators. There is not in the present Congress a single man who has proved his ability to lead public opinion in regard to the systems of protection and free trade by showing first that he could impress upon them an intelligent conviction of the truth of his premises. The Morrill Tariff, so called, and the subsequent acts, are purely empirical measures which will not bear the test of investigation upon any theory whatever.

There are three fundamental premises which must be fully understood before any correct deductions can be reached upon the subject of collecting revenue.

First, That all taxes, either direct or indirect, are levied upon and collected from production,—production being the result of labor ; and that labor will be more or less effective according to the amount of capital by which it is aided or supplemented.

Second, That “ tariff ” is another name for “ tax,” and that a tax of any kind can only be more or less of a burden upon the people who pay it, and cannot in the nature of things be a benefit to them.

Third, That money is not an end, but only a means to an end ; and that even gold and silver money is only useful up to a certain varying amount, which will regulate itself, if left to natural laws ; from which it follows, that a country may be guilty of as great folly in the enactment of such laws as shall cause an accumulation of specie within its borders more than sufficient for its use, as the miser is guilty of when he hoards gold in a strong box.

Before we consider the first proposition, it may here be well to define what is meant by labor. Its technical meaning has come to be simply physical effort. I use it in the larger sense, in which is included any effort, either physical or

mental, by which the gifts of God are moved into form for human consumption. Economic writers have sometimes made the statement that all that we do is to move things. We move the soil and we move the seed, but Nature *gives* the harvest. We move the wood and the stone, forming the dam, and we move the wheel into position ; but Nature, or the God of Nature, *gives* the water and the law of gravitation. And when we have moved things into what we call permanent form, they become capital,—such as houses, or mills, or improvements upon land, or gold and silver money ; but effort, movement or labor must be applied to keep the mills in motion, to work the land or the mines : capital renders labor more effective, causes it to yield a larger product, but can never take its place.

It seems but simple justice, that the capital of the country should bear the largest share of the taxes ; but how can it be reached ? A tax upon the income of capital is simply a share of the product of labor, which product the use of the capital has increased, not thereby displacing the labor. Labor, after all, gives the result : and a tax upon the income of capital is simply a tax upon the labor or effort which capital has caused to be put in motion, and thereby rendered more effective.

Is not the income or profit of capital a charge made by capital for the service which it renders in causing labor to be more productive ? When capital took the form of a spinning jenny with eight spindles, and displaced the old spinning wheel of one spindle, it rendered service to labor by making it possible for labor in one hour to produce eight times as much as it did before. For the service of one hour of the spinning jenny of eight spindles, the laborer may pay to the owner the product of four spindles, and yet have four times as much left for his own use as he would have had by continuing to use the single spindle. The business being very profitable, the capitalist will continue to build spinning jennies until the demand is fully supplied ; but, if you take a portion of his income by a tax, the rate at which he will build spinning jennies is retarded, and his share of the product is maintained much longer at a high point ; so that ultimately the labor will have paid the tax in the form of a higher

rate of profit upon capital than it could otherwise have commanded.

Capital is of no use to the owner when hoarded : it must be put into some form in which it can render a service to labor ; and, as wealth or capital accumulates in a geometrical ratio, while population only increases in an arithmetical ratio, the rate of interest or profit which capital can command must be continually less and less, if the whole matter is left to natural law. On the other hand, labor may continue to work wearily at the spinning-wheel of one spindle, until supplemented by capital in the form of a spinning-jenny, and will do so unless some one, by an effort of invention or superior industry, provide such a machine.

It is a well understood rule, that the rate of interest or profit which capital can command of labor, for its annual use, is in the proportion which accumulated capital bears to the number of persons desiring its use ; and their desire is in proportion to their intelligence and education. This law which regulates the profits of capital is fully proved by the high rates of interest always prevailing in new countries, and the low rate in old countries in which the accumulation and use of capital are both fostered, as in England.

Now, since the avails of the taxes are mainly consumed, and not added to the aggregate of accumulated capital ; and since the rent, interest or profit of capital is maintained, even by the imposition of an income tax, at a higher rate than it otherwise would be ; and since by this retardation of the accumulation of capital, labor is not supplemented by as many or as good tools as it would otherwise be, it follows that taxation in any form, even that of an income tax, is mainly a burden upon labor, and not upon capital, which is the result of labor already expended.

If any tax is laid in such a manner as to absorb more than the profit of capital applied upon a given occupation, the tax will at once cease to yield revenue, because that occupation will cease ; and, of course, the laborers who had received wages therefrom will suffer the absolute loss of that opportunity for employment.

I think it cannot be denied that all taxes are collected from

the product or result of labor of each and every year, and are paid mainly by those who produce, and not by those who live upon the income of capital already accumulated; but I am very far from excluding from the class of laborers or producers the owners of capital who give their time and attention to the use of their capital; they are among the most effective laborers and the largest producers.

Neither do I intend to deny that capital can be reached by taxation, but only to define the usual effect of taxation. It is proved by the records of history that in all cases where the Government of a country has by taxation taken a portion of the capital of the people, the result has been disastrous. This will be evident to any one who fully appreciates the fact that the accumulated capital of the country is the fund from which all wages are paid, and when taxation has exhausted the income, and begins to impair the principal, of course nothing but injury can ensue to those who are employed and who receive wages.

Capital can be reached by an arbitrary but unequal assessment upon the principal, and the passage of the act by which paper money was made a legal tender, was of this nature. The effect of this act was to seize upon a portion of every debt due; it was a confiscation of a portion of the capital of every creditor; and it should have been called "An Act for the collection of a forced loan." It may have been necessary, but I think that although it was a tax upon capital, it has thrown a heavier burden upon labor than if it had not been adopted and the product of the country had been secured for war purposes in some other manner.

An illustration of the fact that taxation is paid chiefly by labor, and not by capital, may not be amiss.

Let us suppose a community of five men settled upon a given tract of land, near which is a city ready to take any farm product at a uniform price. The men have each an equal amount of capital represented by a spade. A, B, C and D raise just enough to feed themselves and to procure in the city clothing and fuel; E, however, by working harder, and with more intelligence, and by denying himself some portion of the food and clothing which the others consume, is enabled

to exchange a portion of his product for a horse and plough. He has now more capital, but only enough for his own use. The next year he has surplus product enough to procure another horse and plough, but cannot use it himself; he therefore offers its use to A, B, C and D, and the one who will give the largest proportion of his crop, say D, gets it—the competition is four for one, and the rent high. The next year, E has not only the surplus from the horse and plough used by himself, but the rent from D, and would purchase two more ploughs, and in such case he would have three ploughs to let; there would be four competitors, and it would be the best use of his capital,—the competition would not be as great as when it was four for one, but it would still be four for three; the aggregate rent would be larger, but the relative rent smaller. But now comes in an income tax, and takes from E such portion of his farm product as would buy one plough; and the officers of the Government consume such product,—the avails of the tax. E can only purchase one more plough, making two instead of three to let,—the competition is four to two, instead of four to three, as it would have been in the absence of the income tax. C and D bid high, and supplement their spade labor at the cost of a heavier share of their product; E gets, not as large an aggregate, but a larger relative rent for two than he would have for three; C and D are poorer than they would have been, and A and B remain spade laborers.

In the absence of the income tax, B, C and D would each have had a plough at a low rent, and A would have been the only spade laborer. The next year all would have had ploughs, and some other use for capital would have had to be found, thus inducing enterprise. Then would come the natural time for E to become an employer, and to hire men from elsewhere to come in and use his ploughs, since no one will hire them, and his market will still take all farm products at a uniform price, the inhabitants of the city having increased as fast as the farm products increased.

I have defined capital to be the surplus result of labor, not consumed, but put into a form for further use. The bonds or evidences of debt of the country must not be confused with

the capital of the nation; they may *represent capital* to an individual, but to the community they can only represent a burden.

The utter ignorance of this economic law was not long since exhibited by the publication of a pamphlet entitled, "A National Debt a National Blessing." The same ignorance is constantly to be observed in the Congressional debates upon the currency, which would be amusing, if they were not dangerous; we may, however, feel tolerable assurance that there is wisdom enough to resist any further inflation. Those who propose the issue of more irredeemable paper money are rapidly losing the confidence and even the respect of the community, and must soon cease their dangerous effort, unless they wish to be held responsible by an outraged community for attempting to steal from labor its reward, and to be esteemed not only willfully ignorant, but intentionally criminal.

The absurd dogma that a national debt is a national blessing hardly needs notice, yet it may not be amiss to give a word to it. During the war a portion of the productions of the country were taken and used. For what? For destruction not only of the products thus taken, but of other accumulated capital. What was given for such productions? An evidence of debt,—the interest, and finally the principal, of which must be gathered from the future production of the people. Who holds these evidences of debt? A portion of the people who are thereby enabled to live without work, on an income derived from property, which, while it represents property to the owner, represents only destruction of capital to the community.

Suppose a town wishes to build a school-house, and it employs one man who cuts and frames the timber, makes the bricks and erects the building, receiving while thus employed his food and clothing, and at the completion of the building an annuity of three hundred dollars as long as he lives, on which sum he can live without further work; and suppose that he chooses so to do. The town has the service of the school-house, in which its children are taught and thereby made more effective in their work; their productive capacity

is so much increased by the service rendered them by the school-house as to give them six hundred dollars more per year than they would have made without it, then their gain is three hundred dollars above the annuity. But suppose the school-house is destroyed by fire the day it is finished: the annuity remains, and the man who receives it is as much a burden as if he were a pauper or a cripple; he lives by the labor of others, consuming only and not producing. Such is the evil of debt incurred for the purpose of war.

There is a great prejudice against having our bonds held abroad, but I think this is a very ignorant prejudice. It is much better that the bonds should be held out of the country than in it, if the holder intends to live upon the interest. Let me illustrate.

Suppose a community of six persons, five of whom are employed for a year in the draining of a swamp, while the other one raises the food on which the six live,—he having capital in the form of farm-tools, horses, etc. For his services in raising food, he receives a bond of \$1,000, the interest on which is to be raised by a tax on the whole future produce product of the six; but the capitalist who holds the bond can live on the interest, and refuses to produce anything more: then have not the five to support six? On the other hand, the capitalist sends the bond to another community, and procures for it a thousand dollars worth of better tools than he had before, and continues to work; the interest is still only six dollars, but there is the product of six plus the product of the improved tools to assess the tax upon. The interest is the same but the product greater.

If we send our bonds to Europe, and get for them, as will hereafter be proved, five parts good tools, or of the comforts of life to one part of luxuries, we make a good bargain, and are much better off than if we retained them here, and, by so doing, released a part of our own people from work.

The great point to be secured now, is that every one shall become a producer. The greatest progress of the country will be obtained by the application on the part of the people, of the greatest number of hours of labor, consistent with health and education, to the production of raw materials,

yielded by the soil or the mines, or in preparing such raw materials for use by the process called manufacturing. We may be sure that God has indicated the direction in which such labor can be expended with the best results, by giving to different countries different conditions of soil and climate; and that to interfere with the natural distribution of labor in accordance with these great powers, as has been done by all so-called protective legislation, is to cramp civilization and prevent the spread of Christianity throughout the world.

Commerce is the most effective agent of civilization, but protection, if carried to its legitimate result, would cause each nation to satisfy, as far as possible, all its desires within its own limits, and there could be no foreign commerce.

To illustrate this point. The Kaffir of South Africa was formerly a savage warrior: he is now a peaceful shepherd in whom some of the desires of civilized life have been developed. How has this come about? By the desire of the civilized men of Europe and America for a kind of wool which the climate and soil of South Africa will produce. It happens that, upon the hills of South Africa, wool can be raised with no labor except that of the shepherd to tend the sheep and the annual shearing, but the wool is absolutely useless in that climate. On the other hand, wheat, tobacco, butter, cheese, iron-ware and tools cannot be raised or made there at all. What has happened from these conditions? The first settlers tempted the Kaffirs to become shepherds by offering them good bread, butter, cheese, iron, and other luxuries hitherto unknown to them, but yet real necessities for the full development of the manhood in them. Europe and America took the wool and gave the wheat.

But now the United States say, or rather Ohio says, We can raise all this wool. True; but instead of expending only the labor of a Kaffir, who can do nothing else, we must build great barns to protect our sheep in our cold winter, we must employ farmers to raise hay and roots to feed them; and we must expend two days' labor of a civilized man, where the half-civilized Kaffir need expend but one,—yet we ought to be protected in our labor; we, the educated, civilized men of Ohio, and Vermont and Massachusetts need to be protected

against that poor, half-civilized creature,—we are afraid of him. God has given him more sunshine and a better position than ours, and, if he advances, we shall be degraded.

Suppose Europe were equally afraid of the poor Kaffir, and protected itself against his wool;—what would become of it? No one would give him wheat or any other commodity for it; he cannot eat it or wear it, and it is the only thing he can raise; if he cannot sell it, he must cease work, cease progress, relapse into barbarism,—all the missionaries in creation couldn't save him. Yet if protection against the Kaffir's wool is good for America, it is good for Europe and ought to be adopted. Is it not true, then, that the logical result of protection is to cramp civilization and check the spread of Christianity?

But, says the advocate of protection, when driven from the prohibitive doctrine, we only want such incidental protection as will come from a revenue tariff. The answer is that there can be no such thing as protection in a true revenue tariff, because just so far as a tariff stimulates the home production of the commodity upon which the duty is imposed, just so far it prevents the importation of that commodity, and therefore it so far fails to yield revenue. A *true* revenue duty must always be at a rate less than the one which will carry the cost of the commodity so high as to induce its production at home.* For

* Any rate of duty may be imposed upon an imported article, if an equivalent internal-revenue tax be laid upon the home production of the article—provided these rates are not so excessive as to “protect” smugglers or illicit home manufacturers. This is the true expedient to resort to whenever, for the sake of revenue, it is necessary to levy a high duty upon an article of import. The British practise this rule in their duty upon spirits, imposing a tax upon the product of their distilleries, equal to the tax on the imported article. Thus the importer is burthened with no tax which is not equally laid upon the home producer; the relative advantages of each, in supplying the people remain unchanged; the consumer, whether he buys the foreign or domestic article, pays nothing in addition to the actual cost except the revenue tax which goes to the government; the quantity of spirits imported remains undiminished, and the government derives the largest revenue possible; while as the revenue is thus obtained equally from all consumers of foreign or domestic spirits, the utmost equity is preserved, and the domestic distilling interest is not “protected” at the expense of the other interests of the country. All the money that is taken from the people, goes direct to the government; none of it is paid as profits to a “protected” interest.

The above law of taxation is universal. If any rate of tax is laid upon anything imported, an equal tax should be levied upon the domestic article: in like manner, if the domestic production be taxed, an equivalent duty should be imposed upon importation. By this rule we preserve the right of the people, to purchase either from importer or from home producer without government interference in favor of one or the other; and we secure the utmost revenue, with the least burthen upon the masses of the people.

if the duty be such as to lead to the production at home of what would otherwise not be produced, with a correspondingly diminished import of the article, this indicates a fault in the law as a revenue measure. Where protection begins, revenue falls off; and revenue is the object for which we enact tax laws.

Take the case of the Kaffir's wool again. Twenty cents' worth of wheat will buy of him a pound of wool. The Ohio farmer can furnish twenty cents' worth of wheat, we will say, by half an hour's labor; but a pound of wool will cost him a whole hour's labor, or forty cents.

Now, if you put a revenue duty of fifteen cents on the wool raised by the Kaffir, it will still come; as its total cost in the United States will still be only thirty-five cents. The Ohio farmer will still make wheat to exchange for it, only we shall get less wool for a bushel of wheat; but, if you impose a duty which involves any incidental protection or any other kind of protection, it must be over twenty cents, so as to raise the cost of the Kaffir wool to over forty cents. Suppose you put the duty at twenty-five cents, then the Ohio farmer is protected, and can make it for less than its cost plus the duty; the Ohio farmer gives up raising wheat, but expends twice the labor on wool; commerce with the Kaffir ceases; woollen cloths cost double; the Government has no revenue; the civilized man has put his two hours' labor against the Kaffir's one, and by means of protection has won the game; the Kaffir relapses into barbarism, and that is the end of it: but is the civilized man any better off than he was before? He has now to pay a direct tax for the support of the Government and has less time to work it out than he had before. And this leads us to the second point, viz., that a tariff is a tax under another name, and that a tax of any kind can only be more or less of a burden upon those who pay it.

I may be more stupid than other people, and, at the risk of being considered so, I must say that the common arguments used in regard to a tariff, by the advocates of what is called protection to American industry, would lead an ignorant man to suppose that the Government was conferring a great favor upon the people by making the commodities which

they wish to purchase of foreigners cost them more than the foreigners are willing to sell them for.

The first question to be asked is, What is the object of a tariff? To which question I think very few men would make the one answer which is complete, viz., to raise a certain amount of money with which to pay the expenses of the Government. Very many would qualify this answer by adding, "To raise money, and to develop the resources of the country." But let us look a little deeper. Would any nation impose a tariff of duties, if it had no expenses to meet, if it had no money to raise? The answer is simply, No; of course not. Why not, if by a tariff the resources of the country will be developed? Can any one reply to this?

Next, let us examine into the nature of the expenses of the Government. They are, 1st, The support of the army and navy. Are they productive? Not at all: their purpose is war, which is destruction. 2d, Interest on the national debt. Is it productive? No; it represents only the destruction of capital caused by the late war. 3d, The Pension List and the expense of the civil service. Are they productive? Not at all: the pensioners are still representatives of the destruction of war, and the civil officers of the Government are consumers of a part of the products of the country, but do not themselves produce anything.

All the material of war, and all the dwellings, food and clothing of the officers of the Government, must therefore be provided by the labor of the people. "But," answers some one [who is still in the state of haziness which obscured the vision of the writer for a long time], "if all these expenses are paid by a tariff, how are they provided by the labor of the people?" Because all foreign commodities imported are the result of the labor of the people of foreign countries, for which we exchange commodities which are the result of the labor of our own people (two of our commodities or products being gold and silver); and, if the Government adds to the cost of the foreign commodity by the imposition of a duty, it will take so much more of the home commodity to pay for it. Let us examine this point.

One of the great articles of production of Pennsylvania is

grain; the annual value of her grain is more than the annual value of all her iron and its manufactures. In Pennsylvania, nature has indicated that wheat and other grain would yield the largest result for the least labor, and that grain should be the chief product, until such time as the general supply had become so great as not to yield so large a return for the labor employed as would come from working her vast deposits of iron.

At the time Pennsylvania was settled, England had already established iron works, because nature had indicated iron as one of the natural products of England, by placing there great beds of coal and iron, and but a comparatively small area of arable land.

The farmer of Pennsylvania wants iron, which exists in its crude form under his own farm. England wants wheat. Let us suppose that under the circumstances as they are in Pennsylvania, the farmer of Pennsylvania can produce a ton of wheat with twenty days' labor and a ton of iron with thirty days' labor, and let us suppose that, under the circumstances as they are in England, the Englishman can produce a ton of iron with twenty days' labor, but it takes him thirty days to raise a ton of wheat.

The Englishman wants wheat, and the Pennsylvanian wants iron; exchange is free and the barter is made. It is not necessary to express the exchange in money. It is so many days' labor against so many days' labor. The desires of both are satisfied by an aggregate of forty days' labor, resulting in a ton of wheat and a ton of iron—each where it is wanted. The element of transportation may be omitted, as the same conditions apply to Canada and the United States, which are only divided by an imaginary line.

But now comes in the Government of the United States and claims a portion of the labor of the Pennsylvanian—say six days, and each day's labor is measured in Pennsylvania by one dollar. The Government imposes a duty of six dollars on a ton of iron. But as the ton of iron would cost the Pennsylvanian thirty days' labor, or thirty dollars, he will still give twenty days to wheat, six days to the Government, and import his iron. The Englishman will still expend twenty days on iron and exchange it for wheat.

The desire of the Pennsylvania farmer for iron, of the Englishman for wheat, and of the United States Government for \$6, will all be satisfied by an aggregate of forty-six days' labor.

But the great iron resources of Pennsylvania are not protected; they must be developed, and Government is induced to put a protective duty of \$12 on a ton of iron: but \$12 represents twelve days' labor for the Pennsylvanian, who wants iron, and therefore it is better for him to give thirty days to making a ton of iron, rather than twenty to wheat, and twelve to the tax. He does so, and gets his iron. The Englishman, having no market for his iron, and wanting wheat, must give thirty days to raising a ton of wheat. The desires of the Englishman and of the American are both met by an aggregate of sixty days' labor. But the United States has no revenue; it wants \$6, but, having been deluded into imposing a protective tariff, it did not get it, and must now impose a direct tax on the Pennsylvanian equal to six days' labor. The three desires are therefore satisfied only by an aggregate of sixty-six days' labor.

To sum up:

The Revenue Tariff satisfied the three desires with	46 days.
The Protective Tariff, with	66 "
	—
Waste of labor,	20 days.

Disregarding all comity with the Englishman, the Pennsylvanian's desire is satisfied.

And he pays \$6 tax to the Government, under a

Revenue Tariff, with	26 days.
Under the Protective Tariff, with	36 "
	—
Waste of home labor,	10 days.

Any one who has read Prof. Perry's admirable book will see that I owe this demonstration to him.

Let me suppose another extreme case: I am a farmer in St. Lawrence County, N. Y., understanding my business; and with one day's labor I can produce a bushel of wheat; in three days' time I, not having learned the trade well, can cobble together a pair of shoes with great waste of leather.

On the other side of the river is a poor ignorant cobbler sent out from England and placed upon a Canada farm; he can make my shoes in a day, but he requires three days to make a bushel of wheat wherewith to feed his family. Shall I not be protected against pauper labor? If I allow his shoes to cross the river, shall I not be reduced to his level? Shall I ever learn shoemaking and become independent of these foreigners who flood us with their shoes, unless Government compels me to employ three days of hard work on shoes, instead of two days of leisure in cutting up leather and trying to learn at my ease?

But suppose this cobbler moves one mile and comes into the United States,—in what respect has his labor changed in its relation to mine? As a consumer he now pays a small portion of the United States taxes, which he must add to the price of the shoes he makes, in precisely the same manner as a moderate revenue duty would have been added to the price of the shoes if he had continued to make them in Canada; but do I any longer demand such a tax upon the shoes made by him as shall force me to make them myself? Far from it, I scout the idea of a heavy tax upon shoes, and hasten to avail myself of the benefit of his *cheap* labor—or his *pauper* labor, as it was called when he was in England or Canada.

To be consistent in the doctrine of protection to American labor, we should impose the very highest rate of duty in our schedule, upon the *laborer*, and not upon his *product*; we ought not to permit this flood of immigration; these immigrants can make a great many things which we can make ourselves. Let this duty by all means be *ad valorem* on a home valuation, so that we may as far as possible exclude the most skilful and intelligent workmen; we don't want the result of their skill when it is exerted abroad, and we shall never prosper if they come here and prevent our attaining it ourselves.

There is danger in the abundance of things. We are flooded with foreign commodities,—flooded with comforts and luxuries. Protect us in order that we may labor: it is a privilege to labor; we want to work harder. Create an artificial scarcity, so that the people may enjoy their full right to labor. Such is the cry of the Protectionist.

Is it the right to labor for which we should so strive? Is labor the end? Is it not rather what labor will give us that we seek? And if we can get what we want with little labor, instead of much, do we regret it?

"But," says the protectionist, "you will never establish manufactures unless they are protected in their infancy." I believe all baby-jumpers and other devices to aid or protect children in their efforts to walk have been discarded, as it has been found better that they should now and then have a tumble, and possibly one occasionally break its neck, rather than that all should grow up with weak legs, even though their legs should get as strong as they ever would have been by the time the children have become old men. And I believe the same process is healthy for infant manufactures as well as for infant children. The most firmly established manufactures in the United States are those which have never been protected to any extent,—such as the various manufactures of wood; of boots and shoes; of heavy machinery, such as locomotives; and, above all, of agricultural implements and tools, of clothing, of sewing machines, and so on, to the extent of the larger part of our home manufactures, some of which have grown up in spite of heavy duties on the raw materials of which they are composed. It may here be well to consider the meaning of the terms "raw materials" and "manufacturing."

In the common use of the words, raw materials are things which are produced mainly by hand or manual labor, and are therefore true *manu*-factures; but which are changed into finished commodities, not by the hand, but really by machines. We are led to much confusion of ideas by this inaccurate use of words.

We call cotton a raw material, yet to the planter it is a finished commodity, produced by the hand labor of the cultivator of the field, and finished upon the cotton gin.

To the so-called manufacturer, the cotton comes from the gin as a raw material, and in the mill it becomes finished product, as cloth.

But, as cloth, it now goes to a real *manu*-facturer,—the sempstress, to whom the cloth is raw material, and who by

hand cuts it and makes it into garments; and the garment is now a finished commodity.

But, as a garment, it goes to the farmer, to whom again it is a raw material, by means of which he is enabled to live in comfort, and without which he could not cultivate his farm. It does not cease to be a raw material and become a *finis*-hed commodity until it is worn out; and even then it becomes the raw material of the paper-maker, and may not reach its final end until it has printed upon it an essay "Upon the Collection of Revenue," and it is put away upon a library shelf.

In its course, whom shall we protect or give a bounty to?

The manufacturer of the raw cotton?

The manufacturer of the cloth?

The manufacturer of the garment?

The consumer of the garment? or,

The paper-maker?

Shall we not rather seek to collect our revenue as impartially as possible, creating no artificial obstacles to commerce, and leaving each individual to work out his own material salvation, even as he works out his spiritual salvation?

This claim for the protection of infant manufactures never ceases. Under its operation they never seem to grow to manhood, but the larger they grow the more urgent the demand for artificial support. The most urgent and imperative demand now comes from the iron-masters and the wool-growers.

American iron was born into the world more than a hundred years ago, when Pennsylvania was a colony. Great Britain was the mid-wife who presided at the birth, and endeavored to strangle the infant in its cradle; but he, being of a tough and fibrous quality, lived and grew apace, until now he could stand alone, if he would only think so. But having been propped up with baby-jumpers and crutches, shoulder-braces, etc., he fears to stand lest he should fall, and demands now to be encompassed with a high wall over which no rude shove shall reach him.

Were the demands of Pennsylvania ever more imperative? Yet what are the facts.

In the fiscal year ending June 30, 1866, a year of very large importations, the total import of iron and steel, and the manufactures thereof, was a trifle over \$19,000,000

The export of iron and steel, and the manufactures thereof, allowing two-thirds the value of the agricultural implements and printing presses to have been iron and steel, was about 5,000,000

Leaving a net import of \$14,000,000

During the same period, the internal revenue derived from iron and steel of home manufacture, in the forms which are specifically named by law, amounted to \$13,728,133.

The internal taxes alone upon this *infant* home manufacture were nearly equal to the total value of the importation.

It is somewhat difficult to capitalize this tax, as the taxes upon iron and steel were duplicated, and even in some cases quadrupled, but the total value on which this tax was assessed cannot have been less than \$200,000,000, and was probably nearer \$300,000,000. The object in demanding a heavy duty on iron and steel, or any other commodity, can only be to maintain the price in an amount equal to the duty imposed. The demand of Pennsylvania is that the duties shall be raised to a still higher point than they now are, in order to shut out the flood of \$14,000,000 worth of foreign iron, by granting a bounty on over \$200,000,000 of home production. We may well ask Pennsylvania how much longer she will "plead baby?"

I shall perhaps be charged with ingratitude by some of my friends in Pennsylvania, and I might have felt obliged to take another illustration rather than iron, had it not been for the most unreasonable demand of Pennsylvania for a duty on bituminous coal. If not infants in iron manufacture, the men who advocate this duty are infants in intelligence. Suppose New England being without coal, and being obliged to use costly fuel, were to demand that a tax be imposed upon every steam engine used out of New England, and that her own should be exempt; would there not be an outcry which would overwhelm us with scorn and derision? Should we not be charged

with the most selfish designs? Yet such a claim would be far more reasonable, than that of Pennsylvania for a duty on coal, which is only a tax on the steam engines of New England, already working at a disadvantage. The impudence of this claim is only exceeded by the ignorance of all economic law exhibited by those who propose it, which ignorance is their only justification.

I think Boston to-day affords a good illustration of the evils of protection. The conditions of soil, climate and coast, indicated maritime pursuits as the province of New England men; and she engaged in them chiefly, until the South forced a protective tariff upon the country, As this destroyed commerce, New England developed textile manufactures before their time, and then, becoming converted to the doctrine of protection, continues to foster them by the same process. The result is, that a large amount of the capital, and a large amount of the business capacity of Boston which should have been applied to railroads, steamships and commerce has gone into manufactures; consequently, Boston commerce declines, and young men emigrate. Commerce would have employed the young men at home, or in voyages ending at home; but textile manufactures employ only a few treasurers, agents or commission merchants, and a very large force of operatives or laborers. There are too many young men for the number of places equal to their capacity, and they must migrate. I think the population of New England has not been improved by this forced establishment of textile manufactures.

If, as I have attempt to demonstrate, a tariff is but a tax under another name, then it is a burden upon the labor of the country, and is subject to precisely the same law as an internal tax.

I now come to another point to which I have adverted, viz., that, in the collection of a given amount of revenue, more or less evil could be done, according to the wisdom or unwisdom of the law. Nations which are older than ourselves in the matter of taxes, select certain articles to bear the heavier portion of the burden, rather than lay an even portion on all. It is an axiom, that the consumers pay all taxes in the long run; but this should always be qualified by adding, that their

consumption of taxed commodities is regulated by their production. The great body of consumers and the great body of producers are identical, and they procure the taxed articles which they consume in exchange for the articles they produce.

The articles thus selected for taxation are tea, coffee, sugar, spices, spirits, tobacco and other commodities, the consumption of which is voluntary, and the deprivation of which does not impede production. None of the articles named are essential to production, in the sense that meat, bread, iron and clothing are essential; and therefore the consumer may use a little more or less, according to the price, and still cultivate as many acres or operate as much machinery. England keeps up her custom-houses, because tea, coffee, sugar and spirits are natural subjects of taxation.

But now let us see if we really limit the power of the consumer to purchase tea and coffee, by a high duty on them and no duty on iron, rather than by a moderate duty on each. Let us return to the Pennsylvanian and the Englishman, and remember the relative condition of labor on iron and wheat.

Let us suppose that each was employed the whole year, save thirty days, in feeding and clothing his family, and has just thirty days to give to accumulating a surplus of capital. The Englishman, for some reason, desires to have, as the representative of his surplus labor amounting to thirty days, a ton of wheat, which he can make in thirty days; but he can make a ton of iron in twenty. The Pennsylvanian must have a ton of iron, which he can make in thirty days; but he can make a ton of wheat in twenty. By free exchange, each can satisfy his desire with twenty days labor, and each will thus have ten days to spare.

Wanting tea, each will work upon some commodity to exchange for tea. We will say that the Pennsylvanian wants five pounds of tea, and with five days' work can get it free of duty; the Government puts a duty on tea equal to five days more, but the Pennsylvanian still has five days to spare, and works it out. He has his ton of wheat, his five pounds of tea, and has paid five days' work or five dollars to the Government. But, under a system of protection to iron, by which the Pennsylvanian has been caused to give thirty days to iron, he has

only the iron; he has no tea; the Government has no revenue, and must now take a part of his ton of iron.

Free exchange of the results of labor, free trade, free commerce, gives to each nation the advantage of the different gifts of soil and climate which God has bestowed upon the several sections of the earth. It increases the abundance of the things which give comfort or enjoyment to all people. It does not degrade the labor, or reduce the purchasing power of the wages in the most favored country, like our own; but, while it would yield to us more comfort and more luxury, it would elevate the oppressed of other nations and civilize the barbarian.

The individual laborer, who is skilful in farming, or well placed on good land, and whose wages are high because his product is large, does not give up his occupation and go to making shoes because some poor shoemaker near him is starving and willing to work cheap; then why should Uncle Sam, with his rich farm, and his immense domain, scarce touched by the hand of man, refuse to employ the pauper labor of Europe, of which we hear so much, because the paupers work cheap?

Much of this hue and cry about pauper labor is mere clap-trap, the pauper labor of England is mainly in the *agricultural* counties. Of the same nature is the common talk about the flood of foreign commodities with which we are overwhelmed. Let any one analyze the imports for the year 1866, and out of \$368,000,000 on which duties were paid he will find less than \$68,000,000 consisted of articles of luxury, and over \$300,000,000 were articles of comfort or of necessity. It is alleged that the total value of all our products in the year 1866 was \$6,000,000,000; and it is tolerably well ascertained that the value of all our products in 1860 was \$4,000,000,000, on a gold basis. If the estimate for 1866 is correct, then our flood of foreign luxuries was equal to about one per cent. on our production!

The difficulties of the Protectionists have been much complicated, of late, by the claim made by the Western and Middle States for protection to agricultural products and upon materials in their primary or secondary condition, such

as copper ore and regulus, raw and lined flax, hemp, jute, linseed, hides, goat-skins, salt, etc. It would seem as if the West had suddenly come to the conclusion that New England, by means of protection to manufactures, had been making money out of them, and that it was time for them to get a return in kind from New England.

I think that New Englanders will find it somewhat difficult to meet these claims, if they adhere to the doctrine of the expediency of protection; and that such is actually the case, is proved by the recent combination of the wool growers and the woolen manufacturers.

The wool growers' claim has been admitted, and a protective duty placed upon foreign wool. This claim might have been presented in a much stronger manner than it has been. The wool growers might have said to the manufacturers, "You advocate protection to American labor, and insist that you are its representatives because you are manufacturers: your claim is well grounded. American labor should be protected, and if this is to be secured by protection to manufactures, *we* are the real *manu*-facturers. Nature has given such conditions of climate and soil to Ohio that to make wool we must *with our hands* build fences and barns, and cultivate the land, and also shear the sheep. Our wool is a manufacture; and, in numbers, we, the agriculturists, are greater than those who operate your machinery."

The manufacturers of woolen fabrics must admit the claim, and they have done so. The result is a higher bounty to each of these interests.

The claim of the wool grower cannot be met by an advocate of the principle or expediency of protection, but can be easily controverted by the advocate of free trade. What is the claim of the wool grower of Ohio but this, that he shall substitute human labor for the free sunshine which nature has given to South Africa, to Syria, and to South America; and that the community who use wool in the form of woolen garments must be made to pay for such useless labor.

The wool of South Africa and South America may be said to represent four parts sunshine and soil, gratuitous and common to all, to one part of human labor measured at the rate

of twenty-five cents per day. The wool of Ohio represents on the contrary, two parts of sunshine and soil, to three parts of human labor measured at the rate of \$1 per day.

Protection to wool is only an artificial impediment by which we shall be prevented from enjoying the larger bounty of nature with which God has endowed South Africa in this one respect. We refuse it, because it is gratuitous and common, and, as a nation of 36,000,000, we charge ourselves with a bounty for the possible benefit of half a million interested in wool growing.

Bastiat's satire, in the form of a petition of the candle-makers and tallow-chandlers of Paris to be protected against the light of the sun, by having all the windows closed, and the streets roofed over, is not more absurd.

On the other hand, how can the manufacturer of woollen cloths and other fabrics substantiate his claim to protection? He has no greater right than the wool grower has, to receive a bounty at the expense of the community.

To the advocate of a revenue tariff, from the free-trade standpoint, the problem is perfectly simple. His ground is this. If we had no governmental expenses, we should need no revenue; consequently we should have no tariff at all, and our industry would assume that exact measure of diversity which our soil and climate indicated, and the intelligence of our people rendered possible. Our true prosperity would consist in the abundance of the commodities which we desire and use, and not in the amount of money by which we measure them. Our laboring people would secure the most comfort and the most rapid progress, not by high wages,—the result of an artificial scarcity,—but with low wages and a natural abundance of commodities.*

* In the progress of time, as capital and population increase, all the varieties of production (to which it is now sought to give a premature and artificial existence by protection) would naturally grow up and become profitable, without any governmental aid.

Such being the natural development of production in the absence of any tariff, the free-trader cannot hesitate a moment, as to the principles which should govern Congress in imposing duties, when a tariff becomes necessary in order to raise revenue. It is transparently clear to the free-trader that the *first object* should be to preserve unchanged the natural relation between the different branches of production in the country. The free-trader would therefore make it a primary consideration that duties should be laid in such a way as not to protect any special branch of production.

And this leads to the third principle which I have endeavored to establish, namely, that money is not an end, but only a means to an end; and that if we endeavor to create paper money by law, or to accumulate an undue proportion of gold or silver money, we entirely fail of securing any benefit.

Let us suppose a certain number of silver dollars in circulation, say one million, and that Congress should enact a law authorizing every silver dollar to be cut in two parts, and each part thereafter to be called a dollar. Would such an act make any change in the relation of a coat to a barrel of flour? It is in this relation that we find the idea of value, and we measure it in a statement of price. Let us say that the coat is worth twenty whole dollars, and the barrel of flour twenty whole dollars. That is to say, twenty whole silver dollars are worth either a coat or a barrel of flour. The relation of those articles—namely, the coat, the flour, and the silver—is stated or measured by coins called dollars. If we divide the coin in halves and give the name of a dollar to each of the halves, our statement of price changes to forty dollars instead of twenty—that is all.

Or if, as happened in Japan, by prohibiting foreign commerce and at the same time producing gold from mines, we accumulate that metal in undue proportion to other nations, we simply alter the relation or value of gold to other things.

In this country, by the Legal-Tender Act, we in fact cut our real dollars into parts: that is, we gave the indefinite promise of a dollar payable at an uncertain future date, and the people cut it down in their valuation. And now it is argued that we ought to try the Japanese plan of attempting to prohibit commerce, in order that we may keep some real dollars in the country.

When we make a demand for real money we shall have it, and no Japanese system will be required to enable us to retain it. This demand we shall make, when we re-establish the specie standard and conclude to use again real and just specie money instead of mock-money, which is only a suspended promise to pay.

In the fluctuations of our paper money, there must of necessity ensue profits and losses. The profits enure to those who are shrewd enough or lucky enough to secure them. The losses become, in the end, a part of the cost of all articles which are sold

by means of our fluctuating currency as a measure of their value. Hence the consumer of the articles pays the loss in the long run.*

Uniformity of value is the necessary requisite to *true* money. Gold and silver have been selected for use as money because they meet this condition more nearly than any other product of labor.

When anything is discovered or invented which shall bear more uniform estimation or value, and at the same time be capable of division into uniform parts, it will be adopted as the standard of value—not through legal enactments, but in spite of them. The *promise* of value may be made by law, but the *creation* of value is as much beyond the power of law as the creation of life.†

I cannot close this treatise in a better manner than by submitting the following propositions:

Perfect protection is impracticable; but if practicable it would cause all revenue from imports of protected articles to cease, and render direct taxation imperative to that extent.

Protection causes the premature development of branches of production which are not naturally so profitable in this country at this time as other branches of production. Its result is, therefore, to diminish the aggregate production of the country, or in other words, the aggregate result of labor; and since capital is the surplus production of labor, a decrease in the aggregate causes a decrease in the surplus—that is, in capital. The amount of capital is therefore prevented from increasing naturally in proportion to the number of laborers, and this condition of things is to the disadvantage of the laborer, since, as we

* In a particular case it often happens that the loss seems not to be borne by the consumer. For example, an importer may sell goods at a loss, owing to a decline in gold, and the consumer may seem to reap the benefit. But on looking deeper we see that this loss of the importer will certainly indispose him to import freely, and perhaps may even incapacitate him from further importations. Thus the supply of imported goods will be curtailed, and the consumer will in the end have to pay the loss, in the increased price of the article of which the supply is thus diminished.

† It might seem that the value of greenbacks, or United States bonds and of Pacific Railroad bonds was a *creation* of law, but in fact their value entirely results from the *public estimation* of the securities on which they are based. If the public lost confidence in our national resources, the value of our paper money and bonds would soon become nominal, and no legislation would avail to prevent such depreciation.

have before quoted from Bastiat, "In proportion to the increase of capital, the absolute share of the total product falling to the capitalist is augmented, and his relative share is diminished; while, on the contrary, the laborer's share is increased both absolutely and relatively."*

Protection decreases the abundance of commodities, and increases the absolute share of a small number of the people at the cost of a portion of the relative share of each member of the community.

Free Trade increases the abundance of commodities, gives to each the relative share which his education, skill or capital entitle him to, and leads to the harmonious development of the powers of all.

We shall reach specie payment, not by the prohibition of imports, but by the increase of the products of labor, other than gold or silver, to such a point that other nations will buy them on account of their cheapness, rather than our specie, and thus enable us to retain specie and export cotton, oil, wheat, etc., in full for our imports.

The larger portion of the revenue now required by the United States can be obtained from commodities which are not absolutely necessary to the productive power of the people, and the remainder from a moderate revenue tariff which shall cost the people only the amount of revenue thus obtained.

If we can come slowly but surely to what is called British Free Trade, we shall share in the increase of wealth which that system has brought to Great Britain,—only the benefit to us

* A strictly revenue tariff takes from the people only the amount of duties which the Government receives. A tariff which is protective (to any extent whatever), takes from the people not only the amount of duties which Government receives, but likewise the amount of the additional prices charged by the producers of "protected" commodities. This is a real *tax paid to the "protected" interest*.

A strictly revenue tariff leaves the various branches of production to be developed in a natural way. A "protective" tariff dislocates their natural relations and fosters the unnatural and premature development of some branches of production. It thus diminishes the total product or aggregate profits of our industry; and it brings about this result so calamitous to the people, by levying (upon the people who are thus injured) heavy taxes for the support of those protected interests, which are made prosperous at the expense of the mass of the community. We are not merely compelled by Congress to submit to robbery, but we are forced to labor in order to bring into existence, and to support, the organizations which are engaged in robbing us.

would be greater, as our natural advantages and variety of resources are greater. British Free Trade is the result of the longest experience and the greatest amount of intelligence applied to the collection of revenue.

It is not pure *free trade*, but is a true *protection*, viz., fostering home industry by not interfering with it, and by collecting the revenue from *results*, without taxing *processes*.*

The world demands to be supplied with the various commodities called manufactures, such as textile fabrics, iron ware, agricultural implements, etc., etc. The question is, who shall supply such commodities? Thus far the practical answer has been, England; and we may well ask ourselves why this has been. Labor is not as cheap in England as in Germany, neither is labor as cheap in England or Germany as in India or China; yet the dear laborer of England rather than the cheap laborer of Germany supplies the inhabitant of China and of India with textile fabrics. Why is this? A complete answer could only be given by a Buckle or a Lecky; but we may glance at some of the causes.

1. The possession of large deposits of coal and iron first enabled England to supplement manual labor by cheap machinery.
2. The intelligence of England soonest relieved commerce from the trammels and fallacies of the "Mercantile System."
3. The possession of coal and iron in abundance having enabled England to thrive in spite of the Protective System to which she so long adhered, she has led all other nations in the adoption of what is called British Free Trade, and by that has been enabled to accumulate wealth faster than other nations.
4. Under the system of British Free Trade she receives from all parts of the world such commodities as their conditions of

* That is to say, by taxing neither the industry itself, nor its raw materials—whether those raw materials be such as are commonly so named, or whether they be *any other imports, used in any kind of industry*. It was shewn above, that clothing is a *raw material* to the American farmer; in the same way, iron rails are a raw material to the American railway builder; needles are a raw material to the American work-woman; paper is a raw material to the American printer—and so of every other article of importation which is used in industry. We cannot levy duties on any of these, without *striking at the roots* of our national productive capacity.

soil, climate and population, enable them to produce cheaper, paying therefor in the commodities which she can produce better or cheaper than they. She places no artificial obstacle in the way of any import because it is cheap, but simply imposes duties, *for revenue*, on a few articles of universal consumption, and difficult to smuggle.

How shall we compete with England in supplying the demand of the world for manufactured commodities, and thus secure to ourselves a greater abundance of the necessities, comforts or luxuries of life, for such is the only incentive to commerce or exchange? Neither nations nor individuals will ever establish trade or exchange with each other unless each shall in the long run get more than he gives. No permanent trade is possible where the satisfaction or gain is all on one side. The mutuality of services rendered, is essential to the continuance of mutual exchange or trade.

We want more foreign luxuries and comforts than England, because the great mass of our people can afford them better; we have more natural resources than England, in the shape of easily-worked mines, a better climate for the breeding of sheep and the product of wool; we have almost a monopoly in ordinary times in the production of cotton, and in all farming operations a superiority in natural advantages hardly to be measured, and therefore we have far greater power to create wealth, and in the production of wealth to combine the larger amount of the gratuity of Nature with the smaller amount of labor.

I can only see one answer to the question, how shall we compete with England in supplying the world with manufactured articles, and that is by adopting the same system of British Free Trade as soon as a cautious, slow and judicious method in making the change, will allow us to do it.

Freedom of trade leads to the free movement of the laborer, and he will surely seek that country where he can secure the most comfort and the best conditions of life in return for his wages, and it matters not whether his wages be measured at a high or low rate in money. Our natural advantages would have induced a larger immigration, and would, I believe, have caused our textile, as well as all other manufactures to have been more firmly established to-day and upon a larger scale than we have

ever dreamed of, had we not impeded the importation of foreign commodities by protective duties, and thus confined ourselves mainly to the home market for our manufactures. We shall again share with England in the commerce of the world and in the profit of that commerce, when we cease to deprive ourselves of the benefit of our natural advantages over England, by adherence to the principle, or rather the want of principle, involved in laws imposed for the purpose of protection; or, in other words, when we learn that what is called Protection means privation.

